

Message Text

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SUBJECT: OPIC FY 1976 ANNUAL REPORT

REF (A) CAIRO 1070 (B) STATE 29459

1. WE HAVE RECEIVED REPEATED ASSURANCES FROM MINISTRY OF ECONOMY THAT GOE WILL PREPARE REQUESTED PRESIDENTIAL STATEMENT ON IMPORTANCE OF FOREIGN INVESTMENT TO EGYPT WHICH WILL BE AVAILABLE SOON. WE WILL CONTINUE TO URGE RAPID COMPLETION. MR. MAY'S LETTER OF JANUARY 2, 1975 REQUESTED A DIGEST OF INFORMATION ON EGYPT'S INVESTMENT POTENTIAL PROVIDED BELOW.

2. EGYPT IS MOST INDUSTRIALIZED STATE IN THE ARAB WORLD, IT IS THE LARGEST ARAB STATE, WITH A POPULATION OF APPROXIMATELY 38 MILLION, AND THE SECOND-LARGEST ARAB MARKET FOR U.S. EXPORTS. EGYPT OFFERS A NUMBER OF ATTRACTIONS TO FOREIGN CAPITAL INCLUDING A REAONSABLY DIVERSIFIED AND SOPHISTICATED INDUSTRIAL SECTOR, ABUNDANT LABOR, A POTENTIALLY LARGE DOMESTIC MARKET, AND AN EXCELLENT GEOGRAPHICAL LOCATION. EGYPT IS INTERESTED IN ATTRACTING FOREIGN INVESTMENTS IN MOST SECTORS OF THE ECONOMY WITH PARTICULAR STRESS ON MANUFACTURING, MINING, AND TOURISM. AS IN MANY OTHER DEVELOPING COUNTRIES GREAT EMPHASIS IS PUT ON PROJECTS WHICH WILL GENERATE EXPORTS.

3. IN RECENT YEARS, UNDER PRESIDENT SADAT'S "OPEN-DOOR-POLICY". EGYPT HAS TAKEN SIGNIFICANT STEPS TO FACILITATE THE PARTICIPATION OF FOREIGN CAPITAL IN ECONOMIC DEVELOPMENTS. LAW 43, ADOPTED

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IN 1974, OFFERS A SERIES OF INCENTIVES TO FOREIGN INVESTORS

INCLUDING TAX HOLIDAYS FOR PERIOD UP TO 3 YEARS.

4. THESE LEGAL CHANGES HAVE GREATLY MODIFIED RESTRICTIVE TAX, LABOR AND CURRENCY LAWS IN FAVOR OF FOREIGN ENTERPRISES. PROTECTION IS ALSO GIVEN AGAINST NATIONALIZATION, CONFISCATION AND SEQUESTRATION IN ADDITION TO PROVIDING OPPORTUNITIES FOR REMITTANCE OF PROFITS BY NEW INVESTORS. POTENTIAL AMERICAN INVESTORS SHOULD BE ALERT TO THE POTENTIALITIES OF TRIANGULAR INVESTMENTS INVOLVING CAPITAL FROM OTHER REGIONAL STATES. WEALTHY OPEC NATIONS HAVE ESTABLISHED INVESTMENT OFFICES IN CAIRO AND A NUMBER OF JOINT INVESTMENT COMPANIES HAVE BEEN FORMED. CONSIDERABLE CAPITAL HAS BEEN COMMITTED BY THESE ARAB STATES TO INVESTMENTS IN EGYPT. HOWEVER, BECAUSE OF LACK OF PROJECT IDENTIFICATION AND FEASIBILITY STUDIES, AS YET THERE HAVE BEEN FEW INVESTMENTS DESPITE THE AVAILABILITY OF FUNDS.
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